

# Adjusting our sights, while staying focused on Vermonters' futures



VSAC'S MISSION IS TO ENSURE THAT ALL VERMONTERS  
HAVE THE NECESSARY FINANCIAL AND INFORMATION RESOURCES  
TO PURSUE THEIR EDUCATION GOALS BEYOND HIGH SCHOOL.



## A message from VSAC's board chair and president



VSAC spent FY11 adjusting to major changes in its business model and reaffirming its commitment to core services aimed at helping Vermonters achieve their life goals and attain a decent standard of living.

The beginning of the fiscal year, July 1, 2010, marked the end of our decades-long role as a provider of federal education loans for Vermont students and parents. This transition, brought about by a switch to 100-percent direct government lending, left a deep and lasting impact on VSAC and the Vermonters it serves.

The switch meant Vermonters seeking new federal loans would deal with a national servicer rather than a local agency. They could no longer turn to VSAC for loan counseling before they borrowed, for money-saving discounts and rebates once they acquired their federal loans, and for repayment assistance known for its personal touch. In addition, VSAC could no longer depend on federal loan revenues to subsidize state programs and myriad other services the organization provides Vermonters free of charge.

Despite the challenges presented by such dramatic change, we remained committed to fulfilling the mission VSAC was assigned when it was created in 1965: providing Vermonters with the information and financing they need to pursue education beyond high school. We continue to provide important career and college planning services and to administer the state's 529 college savings program, state-funded education grants, many public and private scholarships, and a private loan for students.

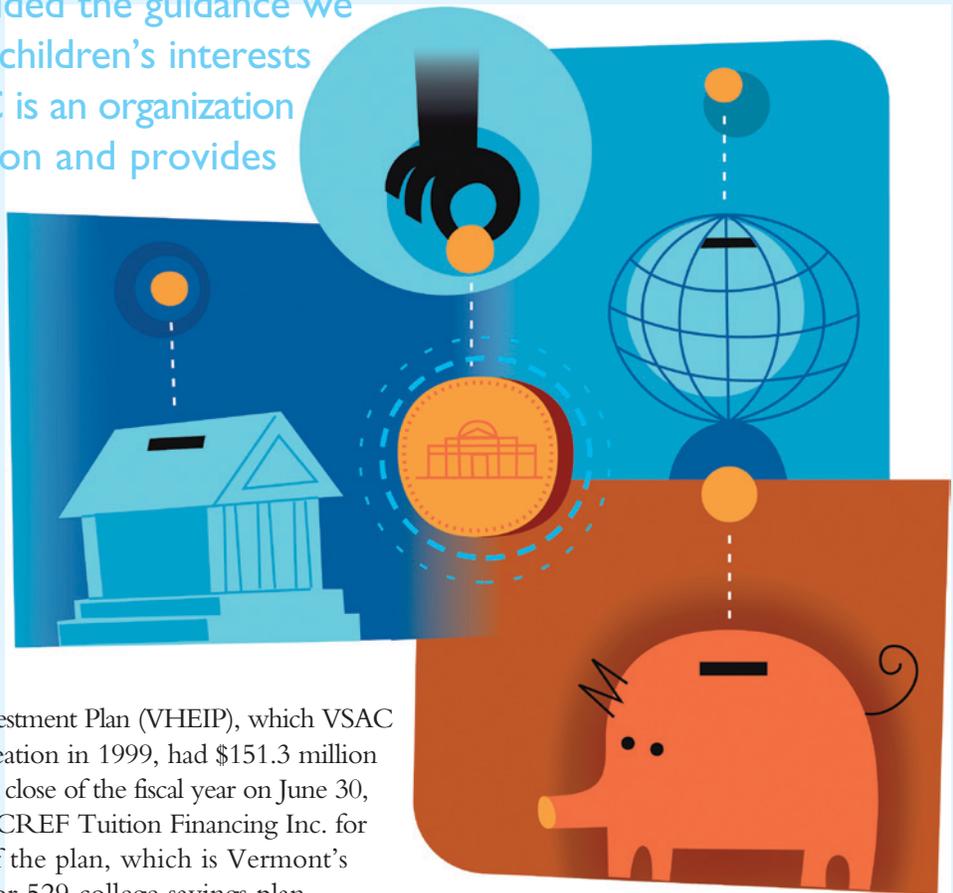
Honoring the mission means working hard to raise aspirations, particularly among the least advantaged, so that as many Vermonters as possible are able to pursue their education or career goals and become contributing members of society. It means trying to ensure that no Vermonter is denied a bright future because of a lack of postsecondary information or an inability to pay for education or training. And it means continuing to support the state of Vermont in its efforts to develop its workforce and remain competitive in a global economy.

Dorothy R. Mitchell  
VSAC Board Chair

Donald R. Vickers  
VSAC President & CEO

**VSAC is a public, nonprofit corporation created by the Vermont Legislature in 1965 to help Vermonters plan and pay for education or training beyond high school. VSAC administers Vermont's 529 college savings plan; outreach services to encourage low-income students to aspire to college; college and career planning services for all Vermonters; need-based state grants for full-time, part-time, and non-degree study; dozens of public and private scholarship programs; and private student loans.**

“My husband and I did not go to college. VSAC counselors provided the guidance we could not, keeping our children’s interests and goals in mind. VSAC is an organization that is true to its mission and provides a valuable service.”



## Saving for college

The Vermont Higher Education Investment Plan (VHEIP), which VSAC has administered since the plan’s creation in 1999, had \$151.3 million invested in 12,441 accounts as of the close of the fiscal year on June 30, 2011. VSAC contracts with TIAA-CREF Tuition Financing Inc. for asset and program management of the plan, which is Vermont’s official qualified tuition program or 529 college savings plan.

Plan assets reached the \$150 million threshold in the spring of 2011, triggering a fee reduction in the Managed Allocation Option, the most popular of VHEIP’s six investment choices. The fee dropped to 50 basis points or half of one percent — one of the lowest fees nationwide among 529 plans. Fees on two other investment options were reduced also, due to changes in asset allocations and underlying expenses, and VHEIP continued to offer a no-fee option.

VHEIP offers state and federal tax benefits to account owners. The state provides Vermont investors with an income tax credit of 10 percent on annual contributions of up to \$2,500 per beneficiary. Preliminary data show that 2,665 Vermonters claimed VHEIP credits worth nearly \$1.4 million for the 2010 tax year. Also, plan earnings grow tax-deferred, and the earnings portion of withdrawals remain free of both Vermont and federal income taxes if used for qualified higher education expenses.

During FY11, VSAC joined the Vermont Treasurer’s Office in sponsoring *Reading is an Investment*, a financial literacy program targeting students in elementary school. Participating students agreed to read three books selected from a reading list covering money topics, in addition to completing six hours of free reading. The students’ names were then entered into a drawing, and VSAC gave 10 winners VHEIP accounts worth \$250 each. More than 100 elementary schools participated, generating 1,300 reading log submissions.



# Career & college planning

VSAC continued to provide career and college planning information to Vermont families through free presentations and events, library and online resources, publications and mailings, and direct services at schools and other locations.



## Start Where You Are

VSAC's *Start Where You Are* college access program remained popular with teens, schools, and professionals who work with young people. The program's roving "opportunist," a first-generation college grad served by VSAC when he was growing up, reached 4,685 Vermont students directly through schools and teen centers. His captivating and dynamic presentations provided teens with real-world information about earning a livable wage and the importance of education or training beyond high school. In December of 2010, VSAC completed an upgrade of the program's Web site for teens —

[www.startwhereyouarevt.org](http://www.startwhereyouarevt.org) — and continued to work on improvements through the rest of the fiscal year to make the site more attractive to students in the last two years of high school. The site, winner of several awards in prior years, recorded 6,233 visits in FY11. A separate portion of the *Start Where You Are* site devoted to professionals who work with students — [www.startwhereyouarevtpro.org](http://www.startwhereyouarevtpro.org) — recorded 4,089 visits in FY11 and was honored with three awards: the Education Standard of Excellence WebAward from the Web Marketing Association and two silver W3 awards for Education and Structure/Navigation from the International Academy of the Visual Arts.

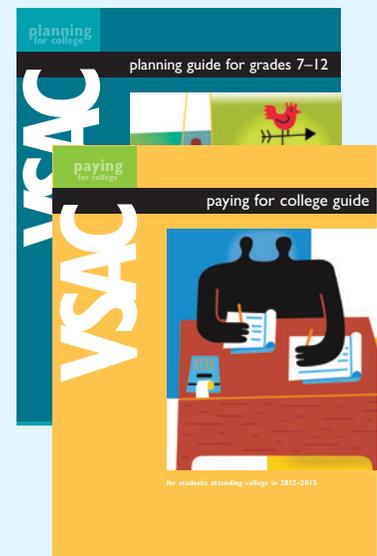
## Presentations and events

VSAC conducted Paying for College presentations at 70 high schools and held work sessions to help families complete financial aid forms, reaching 2,274 students and parents. VSAC's annual College Pathways event for high school sophomores, juniors, and parents was again held at three locations — Saint Michael's and Castleton and Lyndon state colleges — and drew 1,415 participants. VSAC also served more than 340 guidance and financial aid professionals through workshops designed to help them better assist students and families with career exploration, college planning, and the financial aid search.

## Publications and widget

VSAC produced a variety of informational publications and fact sheets, including five major pieces aimed at helping Vermonters plan and pay for higher education: a planning for college guide, a paying for college guide, an adult student handbook, a magazine for high school students, and a booklet describing VSAC-administered and other Vermont scholarships. VSAC printed a total of 66,000 of these publications for distribution to more than 600 schools, libraries, and other agencies throughout the state.

About two-thirds of Vermont's high schools utilized the VSAC widget, a Web application that schools can embed on their own sites to link to continually updated content from VSAC. In the fall of 2010, VSAC introduced school-specific messaging on the widget, which can provide advance notice of VSAC events scheduled at individual schools.



## Outreach services

With the assistance of federal grants, VSAC provided caseload and cohort (whole class) services to eligible students in middle schools and high schools and also assisted adult learners with their career and college planning needs. Most students served through these programs are from low-income families and/or are the first generation in the family to pursue education beyond high school. In FY11, VSAC served:

- 1,289 middle and high school students through the Talent Search program
- 1,676 middle and high school students through GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Programs), and an additional 5,000 students through activities with GEAR UP partners
- 2,248 adult learners through the Educational Opportunity Center (EOC) program

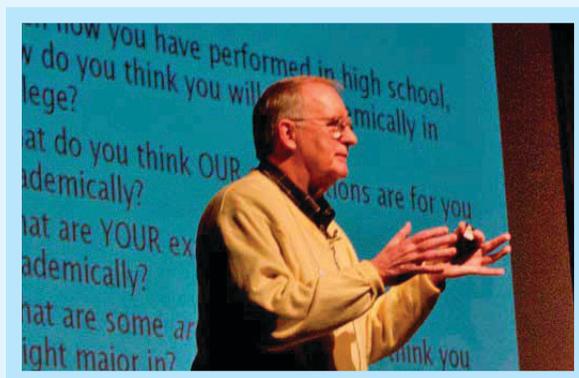
These intensive counseling services dramatically increase the odds that a student will pursue education beyond high school: 81 percent of high school seniors who received VSAC outreach services prior to graduating in 2011 were motivated to enroll in postsecondary programs in the fall of 2011. Among adult participants, 62 percent enrolled or re-enrolled in postsecondary programs in the fall of 2011.

VSAC also served the general population of Vermonters through workshops and individual assistance. Overall, VSAC served 6,392 middle school students and 22,296 high school students, and provided 8,810 career and education planning sessions for adults in individual or group settings.

In FY11, VSAC received continued funding of its federal College Access Challenge Grant (CACG), as well as an Americorps Planning Grant to explore whether it would be feasible to use Americorps volunteers as part of the organization's outreach efforts. Outreach staff spent much of the year preparing applications for renewed funding for all four of VSAC's federally subsidized programs: CACG, Talent Search, GEAR UP, and EOC.



**Mark Bushey of VSAC assists students at a college fair.**



**Dave Landers of Saint Michael's College speaks at VSAC College Pathways event.**

“My education would not have been possible without the financial support I received from VSAC. With VSAC, I trust that I will be treated with a high degree of compassion and respect. I can't say that for many organizations I've encountered.”

## Outreach services, *continued*

Among the four programs, GEAR UP has the greatest impact in terms of funding and reach. Through partnership agreements, VSAC in FY11 shared more than \$1 million from its GEAR UP grant with other organizations to achieve common goals for students. Partnering organizations were the University of Vermont, the Vermont State Colleges (VSC) system, Vermont Department of Education, Vermont Principals Association, Linking Learning to Life Inc., the DREAM Program, and many schools. Supported activities included professional development, school improvement efforts and programming, expanded awareness of technical careers, student mentoring, and direct aid to students.



**National expert Joyce Epstein (center) was the featured speaker at a conference designed to help parents, educators, and others work together to improve student success. VSAC staff, led by Cathy Printon (far right), and GEAR UP funds were instrumental in making the event possible.**

The largest and perhaps most well-known program funded with assistance from GEAR UP is the dual enrollment program administered by the VSC. The program allows students to earn college credit while still in high school or during the summer after graduation. GEAR UP funding enables the Intro to College Studies class to be offered tuition-free at all 12 sites of the Community College of Vermont (CCV) during the spring and fall semesters and at selected VSC sites during the summer.

Students who complete the course can apply for a GEAR UP-funded voucher that entitles them to a free course at any of the five state colleges: CCV, the three four-year state colleges, and Vermont Technical College. Vouchers can also be used at a few of Vermont's private colleges through an agreement supported by Vermont's Next Generation initiative.

In FY11, VSAC and CCV's dual enrollment work was honored with the Vermont State Merit Award from the New England Board of Higher Education. This award honors an individual or program that has made a significant contribution to higher education or has increased access to higher education

“VSAC provided valuable assistance during, and after, my college career. With VSAC, I have never worried about getting information and assistance.”



# Grant programs & state affairs

## Grant programs

In FY11, VSAC provided grant funding for eligible students attending school during the 2010–11 academic year, awarding \$15.7 million to 9,349 students enrolled full-time, \$1.3 million to 2,819 students pursuing part-time study, and \$2.1 million to 1,308 students taking non-degree courses. VSAC also began the awarding process for students planning to attend in the 2011–12 academic year.

Grant recipients planning to enroll in 2011–12 were expected to face a 5-percent increase in college charges, no increase in federal Pell grants (the maximum is \$5,550), the elimination of Pell grants for summer study, and the elimination of the federal LEAP and SLEAP programs (resulting in a loss of \$193,633 in aid for approximately 110 Vermonters).

For full-time grants, VSAC planned to increase the level of aid (comprising the family contribution, the federal Pell grant, and the VSAC grant) by \$300 and the average grant by \$200.



**Governor Peter Shumlin at VSAC College Pathways, Lyndon State College.**

### Next Generation

FY11 marked the fourth year VSAC administered Next Generation funding from the state; this aid is designed to assist students with low income and high need for up to four years of schooling. In FY11, VSAC provided \$169,366 to 180 students in their fourth year of the program, \$180,166 to 188 students in their third year of the program, \$260,302 to 278 students in their second year of the program, and \$219,916 to 253 students in their first year.

### Self-service technology solutions

VSAC's new grant system, Genesis, launched in FY11. Ninety percent of degree-seeking applicants, and 64 percent of non-degree applicants, used the system to complete their grant applications online. This system both increases internal efficiencies and provides students with an online option for submitting required documentation.

Effective with the 2011–12 financial aid application season, VSAC implemented a change that allows a student filing an online FAFSA to link directly from the FAFSA confirmation page to the online Vermont grant application. When a student chooses this option, some of the information from the FAFSA is automatically entered on the Vermont grant application — as long as the student has a myVSAC account through which customers can apply for and track their VSAC aid.

“VSAC personnel have always been very helpful with any inquiries.”

## State affairs

In July of 2010, the federal government shifted to a system of providing all federal education loans directly to students and families through the colleges students attend. This change eliminated the Federal Family Education Loan (FFEL) program in which VSAC had participated, ending VSAC's ability to provide Vermont students and parents with new federal loans. Prior to the switch, VSAC had been able to use federal loan revenues to subsidize a variety of programs and services, including the state grant programs, at no cost to the state or customers. VSAC achieved this while also providing its borrowers with discounts and other benefits that reduced their federal loan costs.

In January of 2011, as required by the Vermont Legislature, VSAC submitted a report outlining the impact of these changes on the agency's revenues and array of services. The report summarized VSAC's long history of providing comprehensive postsecondary information and financing services to Vermonters, discussed the budget and personnel cuts VSAC had made to accommodate shrinking resources, and explained that some services may face elimination or reduction given the revenue loss.

During the 2011 session, the Vermont Legislature approved an appropriation for grants of \$18.3 million for FY12. This amount reflected level funding from FY11, minus \$1.2 million in one-time federal stimulus money. Next Generation funding was also consistent, at \$1.1 million. Given the elimination of FFEL and VSAC's inability to continue fully subsidizing the state grant programs, the Legislature approved use of up to 7 percent of the state appropriation for grant program administration. VSAC was able to run its programs in FY11 without drawing on state funds, but that practice will become increasingly untenable as VSAC's federal loan portfolio pays down.



**Congressman Peter Welch and VSAC V.P. Scott Giles**

## Scholarship programs & development

VSAC administered or assisted with the administration of 165 scholarships in FY11, providing 2,811 awards worth more than \$5.8 million.



VSAC launched an online scholarship application for the 2011–12 academic year, resulting in 59 percent of applications being completed electronically. Students can access the online application once they register and log in to their myVSAC accounts. For the 2012–13 academic year, VSAC hopes to enable students to submit additional documentation, such as essays and recommendations, online as well.

The Vermont Scholarship Fund, the endowment VSAC created for donors seeking to make charitable contributions to scholarships, fared better in FY11 than in the prior four fiscal years as the financial markets started to show signs of improvement. Three new scholarships were created in FY11:

- the William Boudreau Memorial Scholarship, for those who want to attain nursing assistant licensure
- the Ted Bridges Hospitality Scholarship, for students pursuing hospitality and tourism careers
- the Jay Kaplan Memorial Scholarship, in memory of a respected high school biology teacher

# Loan programs & federal affairs

## Private Loans and Existing FFELP Portfolio

Although VSAC couldn't make new federal loans after June 30, 2010, it did offer Vermont students a private loan for the 2010–11 academic year and continued to service its existing FFEL portfolio. VSAC's federal and private loan portfolio, representing 92,849 borrowers, stood at nearly \$1.9 billion at the close of FY11. VSAC provided \$6.3 million in borrower benefits to its federal loan customers in FY11, bringing to \$154.5 million the amount it has saved borrowers since the benefit programs were introduced in FY95.

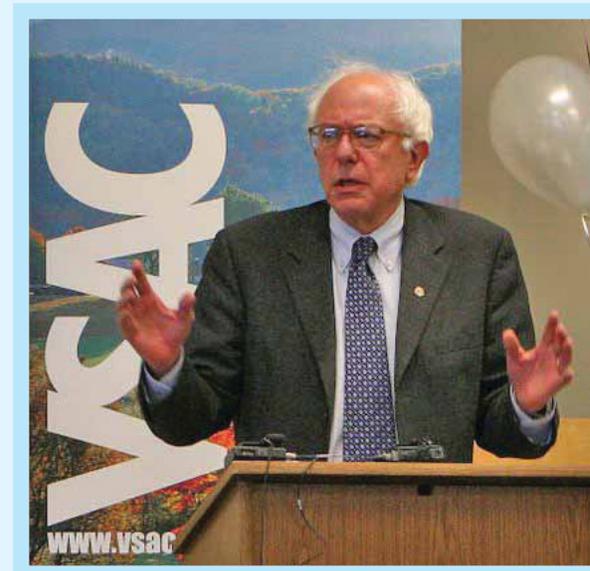
VSAC provided \$15.3 million in private student loans for the 2010–11 academic year through a tiered fee and interest rate structure that depended on the co-signer's credit rating and student's choice of payment plan (deferred, interest-only, or immediate payment of principal and interest while enrolled). All interest rates offered were lower than that of the federal parent PLUS loan.

Toward the end of FY11, VSAC made plans to fund \$22 million in private loans for the 2011–12 academic year by using \$6 million remaining from its 2010 bond financing and \$16 million from a new bond to be issued in the summer of 2011. Again, VSAC would use a tiered fee and interest rate structure that depended on the borrower's choice of payment plan. Students choosing immediate repayment would get an interest rate below the federal PLUS rate, those choosing interest-only would pay the same amount as PLUS, and those choosing to defer payments would pay a slightly higher rate than that of the PLUS.

## Federal Direct Loan Servicing

Prior to 2010, when direct lending operated alongside FFEL, the federal government contracted with a few large national corporations to service its direct loan portfolio. When the elimination of FFEL was proposed, it was initially expected that the government would centralize all direct loan servicing through these corporations. But some members of Congress worried about the loss of local loan servicing as well as the weakening of valuable state-based programs that had been subsidized by FFEL revenues.

As a result, the Vermont delegation, led by Senator Bernie Sanders, added a provision in federal law that required the U.S. Department of Education to permit nonprofits and state agencies to compete for a limited share of direct loan servicing accounts. During FY11, VSAC submitted a successful proposal to the department. As it gears up to begin servicing accounts in November of 2012, VSAC is occupied with the myriad details involved in ramping up and serving as a federal contractor.



Senator Bernie Sanders



“I have never once ended a phone call with VSAC without having had my expectations exceeded, and I've been a customer for 11 years.”

## Customer relations & borrower support

In February of 2011, VSAC made round-the-clock telephone self-service available to customers. This permits customers to obtain account details, make loan payments, learn about payment options, apply for payment suspension, and get tax reporting information. In addition, customer relations counselors can devote their expertise to individuals with more complex questions or issues.

Also in FY11, VSAC implemented measures to increase the efficiency and effectiveness of its work with delinquent borrowers. VSAC automated outbound calls to customers struggling to repay their loans. The method is an effective way to increase the number of times VSAC reaches out to each borrower, and provides greater opportunity to resolve delinquencies and prevent defaults. VSAC's default rate for federal fiscal year 2009, the most recent year for which data are available, was 3.8 percent, less than the national average and among the lowest in the nation.



“What sets VSAC apart is its superior customer service. All of the VSAC employees with whom I have worked have been extremely knowledgeable and friendly.”

## Budget, finance & staffing

In FY11, VSAC continued to cut its budget and reduce staff positions in order to accommodate reduced revenues from federal loan administration and other sources. From FY08 through FY11, VSAC was able to avoid layoffs by eliminating 147 positions through a combination of attrition and a voluntary separation offer. VSAC also consolidated various departments and services as well as retraining some employees for new responsibilities.

For years, VSAC issued mostly tax-exempt revenue bonds to finance its federal and private education loans. Even though it no longer finances new federal loans, VSAC has a bond portfolio worth more than \$2 billion that consists mostly of investments in the frozen auction rate security (ARS) market. VSAC has been using discounted buy-backs to move investments from ARS to other types of bonds.

In FY11, VSAC bought back \$133 million in ARS at a weighted average of 87.2 cents on the dollar, netting about \$17 million in gain after fees. VSAC continues to explore ways to refinance these securities on favorable terms.



For the second year in a row, VSAC's building earned an ENERGY STAR rating from the U.S. Environmental Protection Agency. The VSAC building achieved a performance rating of 85, higher than its rating from the year before and placing the building among the top 15 percent of similar buildings nationwide.

Photo by Sandy Macys

| Statement of Net Assets (in thousands)     | 2011               | 2010               |
|--|--------------------|--------------------|
| <b>Assets</b>                              |                    |                    |
| Cash and investments                       | \$ 234,881         | \$ 141,700         |
| Education loans receivable (plus interest) | 1,891,206          | 2,411,116          |
| Other assets                               | 29,044             | 34,759             |
| Total assets                               | <u>\$2,155,131</u> | <u>\$2,587,575</u> |
| <b>Liabilities</b>                         |                    |                    |
| Bonds and notes payable (plus interest)    | \$1,965,780        | \$2,414,364        |
| U.S. Treasury rebates payable              | 21,558             | 20,272             |
| Other liabilities                          | 13,668             | 15,196             |
| Total liabilities                          | <u>2,001,006</u>   | <u>2,449,832</u>   |
| <b>Net Assets</b>                          |                    |                    |
| Restricted                                 | 112,168            | 98,710             |
| Unrestricted                               | 40,943             | 37,655             |
| Net investment in property and equipment   | 1,014              | 1,378              |
| Total net assets                           | <u>154,125</u>     | <u>137,743</u>     |
| Total liabilities and net assets           | <u>\$2,155,131</u> | <u>\$2,587,575</u> |

| Statement of Revenues and Expenses (in thousands)        | 2011              | 2010              |
|--|-------------------|-------------------|
| <b>Revenues</b>  |                   |                   |
| Interest earned from education loan financing            | \$ 68,754         | \$ 80,034         |
| Other loan and guarantee program revenues                | 5,363             | 7,248             |
| Investment interest                                      | 453               | 709               |
| Vermont state appropriations                             | 21,341            | 21,990            |
| Federal grants   | 6,011             | 5,006             |
| Scholarship and gift revenue                             | 3,682             | 4,056             |
| Other income   | 5,167             | 740               |
| Total operating revenues                                 | <u>110,771</u>    | <u>119,783</u>    |
| <b>Expenses</b>  |                   |                   |
| Student aid  | 25,053            | 25,823            |
| Interest rebated to borrowers                            | 6,283             | 6,671             |
| Interest on debt   | 16,135            | 21,093            |
| Other loan financing costs                               | 30,614            | 36,469            |
| Corporate operating expenses and depreciation            | 33,405            | 33,092            |
| Total expenses   | <u>111,490</u>    | <u>123,148</u>    |
| Deficiency of operating revenues over operating expenses | (719)             | (3,365)           |
| Gains on early bond retirement                           | <u>17,101</u>     | <u>27,134</u>     |
| Excess of revenues over expenses                         | 16,382            | 23,769            |
| Total net assets at the beginning of the year            | <u>137,743</u>    | <u>113,974</u>    |
| Total net assets at the end of the year                  | <u>\$ 154,125</u> | <u>\$ 137,743</u> |

A complete set of financial statements as audited by an independent public accounting firm is available on VSAC's Web site or by request.

“VSAC representatives were always understanding, and VSAC was there to help me when I thought no one could. I’m not exaggerating when I say that without VSAC, I would not be the person I am today!”



#### VSAC Executive Committee

Donald Vickers, *President & CEO*

Scott Giles, *Vice President, Policy, Research & Planning*

Pat Kaiser, *Vice President, Student Services & Information Technology*

Mike Stuart, *Vice President & Chief Financial Officer*

Tom Little, *Vice President & General Counsel*

#### VSAC Staff Directors

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Donna Austin-Hawley, *Human Resources*

Marilyn Cargill, *Financial Aid Delivery & Operations*

Joe Gallagher, *Claims & Collections*

Bruce Hicken, *Finance/Controller*

Patrick Leduc, *Information Technology*

Gregg Mousley, *VSAC Resource Center*

Jaye O’Connell, *Compliance*

Laurie M. Oliver, *Internal Audit & Risk Management*

Irene Racz, *Public Affairs*

Linda Shiller, *Career & Education Outreach*

Deborah Unica, *Social Marketing & VHEIP*

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#### Vermont Student Assistance Corporation

10 East Allen Street, PO Box 2000, Winooski, VT 05404

Toll-free **800-642-3177** In the Burlington area **655-9602**

Visit us online at [www.vvac.org](http://www.vvac.org) E-mail us at [info@vsac.org](mailto:info@vsac.org)

Find us on Facebook at [www.facebook.com/VermontStudentAssistanceCorporation](http://www.facebook.com/VermontStudentAssistanceCorporation)

VSAC does not discriminate in employment or the provision of services on the basis of race, color, religion, national origin, sex, sexual orientation, gender identity, ancestry, place of birth, age, veteran status, disability, or any other legally protected status. Please contact VSAC at 800-642-3177 or 655-9602 in the Burlington area (TDD for hearing impaired, 800-281-3341 or 654-3766) if auxiliary aids or services are needed for application or participation in VSAC services.

JUNE 30, 2011